NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

January 11, 1994

94 JAN 13 A10 : 05

Neil → I knew you'ld come through
John 1-19-94

INFORMATION

MEMORANDUM FOR SAMUEL R. BERGER

THROUGH: ALAN KRECZKO AK

FROM: NEAL WOLIN NW

SUBJECT: Head of State Immunity for Sheikh Zayed

On January 8, representatives of the Justice Department, the Federal Reserve Board, the Manhattan District Attorney's office and First American bank reached an agreement (Tab I) with Sheikh Zayed and others ("the Abu Dhabi parties") that will make it unnecessary for the Department of State to decide whether to suggest head of state immunity for Zayed and two of his sons in a BCCI-related civil lawsuit as they had requested. In the civil suit, First American Corporation and its holding company sued Sheikh Zayed and 29 others seeking more than $1.5 billion in damages for an alleged conspiracy for the fraudulent acquisition and illegal control of First American.

Under the terms of the January 8 agreement, First American and its trustee agreed to settle the civil suit if, by January 22, Sheikh Zayed and the other Abu Dhabi parties take a series of actions withdrawing various beneficial claims relating to BCCI and its affiliates. The January 8 agreement calls for the negotiation of a separate settlement agreement after January 22 that would dismiss the Abu Dhabi parties from the case.

In addition, Abu Dhabi agreed to extradite within 120 days Swaleh Naqvi, a former official of BCCI indicted on fraud charges relating to the illegal acquisition of First American, and give U.S. prosecutors access to BCCI records and other former bank officials. The Justice Department and the Manhattan D.A. have, in turn, promised not to "seek or pursue any prosecution of, or initiate any civil or administrative proceeding against, any of the Abu Dhabi parties arising from the facts and circumstances of the BCCI affair...."

The Justice Department plans to apprise Judge Green of the January 8 agreement in a formal filing at the end of this week or the beginning of next week. The State Legal Adviser's office, in consultation with Justice, is considering how and when to advise the court that, in light of the impending settlement with the Abu Dhabi parties, it does not need to be heard on the question of head of state immunity for Sheikh Zayed and his two sons.

One possible complication is whether any of the remaining defendants will attempt to interplead Zayed. If this happens, the immunity issues may well arise again, albeit with less political sensitivity because all that will be at issue will be the relative liability of various stakeholders (Zayed already having renounced his First American-related claims to the benefit of the U.S. government and U.S. private parties in exchange for dismissal).

Attachments
Tab I January 8 Agreement with Abu Dhabi Parties in BCCI Matters

cc: Bernard Nussbaum
John Podesta

AGREEMENT

This Agreement dated January 8, 1994, including Exhibits A-E attached hereto and incorporated by reference herein, embodies all promises, understandings, and agreements in existence among the Abu Dhabi parties (as defined below), the United States Department of Justice ("DOJ"), the New York County District Attorney's Office ("DANY"), and the Board of Governors of the Federal Reserve System ("Board"), and certain promises, understandings and agreements with First American Corporation ("FAC"), the trustee of FAC appointed by the United States District Court for the District of Columbia pursuant to the Order Appointing Trustee entered June 23, 1992 ("FAC Trustee"), and First American Bankshares, Inc. ("FAB") regarding the hereinafter described matters related to BCCI. The "Abu Dhabi parties" are the following: (i) H.H. Sheikh Zayed bin Sultan Al-Nahyan, (ii) H.H. Sheikh Khalifa bin Zayed Al-Nahyan, (iii) H.H. Sheikh Sultan bin Zayed Al-Nahyan, (iv) H.H. Sheikh Mohammed bin Zayed Al-Nahyan, (v) Abu Dhabi Department of Finance, (vi) the Department of Private Affairs of Sheikh Zayed bin Sultan Al-Nahyan ("DPA"), (vii) Abu Dhabi Investment Authority ("ADIA"), and (viii) the members of the Board of Directors of ADIA, as set forth in Exhibit A hereto.

1. This Agreement relates to a series of entities that became known as the Bank of Credit and Commerce International. These entities grew rapidly through the 1970's and 1980's under the management of Agha Hasan Abedi and Swaleh Naqvi ("Naqvi") and, as ultimately structured, comprised the BCCI Holdings (Luxembourg),

S.A., Bank of Credit and Commerce International, S.A., Bank of Credit and Commerce International (Overseas) Ltd., ICIC Apex Holding, Ltd., International Credit and Commerce Company (Overseas) Ltd., and/or any one or more of either of their direct and indirect affiliates, subsidiaries, or parent companies (all of which entities are hereinafter, for purposes of this Agreement only, collectively referred to as "BCCI"). Fraud and criminal conduct were involved in the operations of BCCI, and in 1991, BCCI was closed. The illicit activities and the circumstances that led to the closure of BCCI have become known (and are referred to herein) as "the BCCI affair."

2. The Abu Dhabi parties are entering into this Agreement because of their concern for victims of the BCCI affair and in furtherance of their desire to cooperate with and to assist DOJ, DANY and Board in matters relating to the BCCI affair. In addition to their own severe financial losses, the Abu Dhabi parties recognize that numerous innocent individuals and entities worldwide have suffered substantial economic losses, and agree to cooperate further with DOJ, DANY and Board in an effort to make accountable those persons responsible for such losses. Accordingly, the Abu Dhabi parties, at their expense, shall deliver or cause to be delivered without conditions, by April 1, 1994, to designated representatives of the court-appointed liquidators of the Bank of Credit and Commerce International, S.A. in Luxembourg and in England, the court-appointed liquidators of BCCI Holdings (Luxembourg), S.A. in Luxembourg, and the court-appointed

liquidators of the Bank of Credit and Commerce International (Overseas) Limited in the Cayman Islands ("Liquidating Authorities"), at their request, all of the original books and records of BCCI that are within their collective or individual, actual or constructive possession, custody, or control. Such delivery of documents to the Liquidating Authorities shall not be necessary if, by April 1, 1994, the Abu Dhabi parties reach binding comprehensive agreements with the Liquidating Authorities (which are conditioned only upon the Liquidating Authorities' obtaining any court approvals that they require to enter into such agreements). In the case of documents relating to or property of the United Arab Emirates branches of BCCI, it shall be sufficient for the Abu Dhabi parties to deliver copies.

3. The Abu Dhabi parties further are entering into this Agreement with the intent to and in order to cooperate fully with the ongoing investigations by United States federal and state law enforcement and regulatory agencies of violations of United States laws and regulations relating to the BCCI affair, and shall cooperate in those investigations. In addition, the Government of the United States will assist the law enforcement authorities of the United Arab Emirates with respect to the latter's ongoing investigations in connection with the BCCI affair. "Cooperate" means, in connection with the investigations of DOJ, DANY, and Board into violations of United States federal and state laws and regulations relating to the BCCI affair, (i) to use best and all available legal efforts and means to produce (or cause to be

produced) to DOJ, DANY, and Board any investigative information that is within the control of the relevant person, entity or party, or within the custody or control of third persons, entities or parties and (ii) to use best and all available legal efforts and means, in consultation with DOJ, DANY, and Board, and to the maximum extent practicable (taking into account the legal rights and obligations of the persons concerned), to persuade and facilitate the appearance of any person requested by DOJ, DANY or Board to testify in any duly convened grand jury, court, or other criminal, investigative, or administrative proceeding, or to facilitate alternative testimonial arrangements. "Investigative information" means documents, records, tangible evidence or other information in whatever media they might exist, including, but not limited to, paper, microfilm, microfiche, computer disks or other media (but not privileged documents) relevant to the investigations by DOJ, DANY, and Board into violations of United States federal and state laws and regulations. The Abu Dhabi parties shall consider the waiver of attorney-client and work product privileges in respect of documents that might assist in the prosecutions of third parties for violations of United States federal and state laws and regulations relating to the BCCI affair, on a case-by-case basis. For the avoidance of doubt, nothing in this Agreement constitutes any contractual obligation on the part of the Abu Dhabi parties to waive any privileges. "Produce . . . investigative information" means for purposes of DOJ, DANY, or Board investigations into violations of United States federal or state law or regulations, (i) to grant access to investigative information to DOJ, DANY or Board, (ii) to provide copies of investigative information to DOJ, DANY, or Board, and (iii) to make available originals of investigative information, where practicable, to DOJ, DANY, or Board, all at the expense of the party or parties producing the investigative information. DOJ, DANY, and Board have no objection to the retention of copies by the Abu Dhabi parties of any documents delivered or produced under this Agreement. The custodian of any original documents under this Agreement shall provide certified copies when so requested. The cooperation of the Abu Dhabi parties in the investigations of DOJ, DANY, and Board into violations of United States federal or state law or regulations relating to the BCCI affair shall include the following:

(a) The Abu Dhabi parties shall deliver (or cause to be delivered) to Board copies of the Naqvi documents, as described in Exhibit E, at the cost and expense of the Abu Dhabi parties, within 45 days of the effective date of this Agreement; provided that in the event that copies of all Naqvi documents have not been physically able to have been copied within such 45-day period, copies of all Naqvi documents then available shall be timely delivered and copies of other Naqvi documents shall be delivered as promptly as possible thereafter.

(b) The Abu Dhabi parties acknowledge that the judicial authorities of the United Arab Emirates have the legal power, ability, and authority to provide access in Abu Dhabi to the former officials of BCCI that are in the custody of United Arab Emirates authorities, namely the persons set forth in Part 1 of Exhibit B hereto, in order that DOJ, DANY, or Board may speak to them, privately or in the presence of their counsel, in the United Arab Emirates, and to provide copies of all statements made or given by such persons in connection with the BCCI affair. The Abu Dhabi parties covenant and agree that they shall, commencing within fourteen days of the effective date of this Agreement, cause the judicial authorities of the United Arab Emirates to provide to DOJ, DANY and Board such access to those persons listed in Part 1 of Exhibit B and to use best and all available legal efforts to provide such access to the persons listed in Part 2 of Exhibit B.

(c) The Abu Dhabi parties covenant and agree to provide access in Abu Dhabi and shall produce (or cause to be produced) expeditiously, beginning with the effective date of this Agreement to DOJ, DANY, and Board any books and records of BCCI that are within their collective or individual, actual or constructive possession, custody, or control.

(d) In relation to investigative information not constituting the books and records of BCCI that is within the collective or individual, actual or constructive possession, custody, or control of the Abu Dhabi parties and in connection with the investigations of any violation of any United States federal or state law or regulation relating to the BCCI affair that are being pursued by DOJ, DANY, or Board, the Abu Dhabi parties shall (i) provide access expeditiously, beginning with the effective date of this Agreement, to DOJ, DANY and Board in Abu Dhabi and (ii) shall produce (or cause to be produced) expeditiously, beginning with the effective date of this Agreement, to DOJ, DANY and Board investigative information that is material to such investigations. To the extent that the Abu Dhabi parties dispute a DOJ, DANY, or Board request for a copy of or removal of any documents, records, tangible evidence or other information ("disputed information") that are not the books and records of BCCI, said dispute shall be submitted to the Attorney General of the United States of America and the District Attorney of the County of New York, State of New York for determination, and the concurrence of both shall be required for a finding that the disputed information is material to an investigation by DOJ, DANY, or Board of a violation of United States federal or state law or regulation.

(e) Naqvi is presently on trial in the United Arab Emirates for crimes alleged to have been committed by him, and he has also been indicted in the United States. The Abu

Dhabi parties wish to facilitate his speedy trials. Accordingly, the Abu Dhabi parties covenant and agree that, within 120 days of the effective date of this Agreement, the Abu Dhabi parties shall deliver or cause to be delivered Naqvi to the United States to face charges there. The Abu Dhabi parties will make arrangements in accordance with United Arab Emirates law, and in consultation with DOJ, DANY and Board, for Naqvi's physical removal and transfer into the United States. At the conclusion of any United States federal and state criminal or regulatory proceedings, including service of any sentence imposed, and provided that his presence is no longer required by United States federal or state law enforcement or regulatory authorities, Naqvi will be returned by the United States to the United Arab Emirates, subject to applicable United States law and treaties. While he is in the United States, DOJ, DANY, and Board agree to make Naqvi available to the Abu Dhabi parties for interviews or depositions in the United States, subject to any legally applicable privileges under United States law.

In the event that any person should attempt by any legal process, to obtain from DOJ, DANY or Board any investigative information or other documentation provided to DOJ, DANY, or Board under this Agreement by the Abu Dhabi parties, DOJ, DANY or Board shall promptly notify the Abu Dhabi parties of such attempt and, with respect to such investigative information or documentation shall, to the extent permitted by law, refrain from complying with such request or process until the Abu Dhabi parties have had an opportunity to be heard and to take whatever procedural or administrative steps may be open to them to prevent production of such materials.

4. To further assist victims of the BCCI affair, the Abu Dhabi parties agree to do the following by January 22, 1994:

(a) file a notice of withdrawal of the claim submitted on or about September 8, 1992, pursuant to 18 U.S.C. section 1963(l) by DPA in connection with the forfeiture of monies of ICIC Investments Limited in connection with U.S. v. BCCI Holdings (Luxembourg), SA et al.;

(b) release, assign to the debtor, or voluntarily discharge in a manner acceptable to the debtor and the Abu Dhabi parties, all rights, claims and indebtedness of the Abu Dhabi parties arising from the following debt instruments: (1) Credit and Commerce American Holdings, N.V. ("CCAH") convertible debentures; (2) loans to CCAH; (3) loans to FAC; (4) FAB senior notes; and (5) rights in the balance of a loan from Banque Arabe et Internationale d'Investissement to FAC, as further described in Exhibit C;

(c) assign and transfer (except for voting rights, which shall remain with the registered owners but which shall be exercised only in accordance with joint instructions to be provided by DOJ and DANY) all right, title, and interest of the Abu Dhabi parties in the shares of capital stock of CCAH, identified in Exhibit D annexed hereto, to the Federal Reserve Bank of New York ("Reserve Bank"), as agent of Board to be used to establish a restitutionary fund pursuant to 12 U.S.C. Section 1818(b), in accordance with the terms and conditions set forth in paragraphs 5-7, infra, and provide whatever documents are necessary to accomplish such a transfer under the laws of the Netherlands Antilles, so that such CCAH shares are delivered to the Reserve Bank in good deliverable form. The Abu Dhabi parties assert that they have no legal or equitable interest in any CCAH shares of capital stock owned of record by Burford Investments, Ltd. ("Burford"), or in any Burford shares, and that they will make no claim of any interest in such shares. The Abu Dhabi parties agree, however, to assign and transfer unconditionally what interest they have, if any, in any such shares to the Reserve Bank.

5. As soon as practicable, Board shall:

(a) cause Reserve Bank to surrender the CCAH stock transferred pursuant to paragraph (4)(c), supra, in return for a pro rata distribution of cash resulting from the sale or liquidation of CCAH's subsidiaries;

(b) cause Reserve Bank to establish an account to be owned by Board to be titled "Board of Governors Account A," which shall be funded with the cash proceeds derived from the CCAH stock referred to in paragraph (4)(c); and

(c) cause Reserve Bank to invest the balance in Board of Governors Account A in United States Treasury Securities and/or overnight repurchase agreements for so long as there is a balance in the Board of Governors Account A. The earnings from such investments shall be credited to the Board of Governors Account A.

6. The Board shall distribute the balance in Board of Governors Account A to FAC and Liquidating Authorities, with FAC being paid first, when funds become available, in the amount of $50 million less any amount received or to be received by FAC as a result of a distribution from B/G Settlement Account No. 1 created December 24, 1993, and the balance to the Liquidating Authorities when Board receives written notice from DOJ and DANY that the following events have occurred:

(a) a binding comprehensive agreement regarding the BCCI affair has been reached between the Abu Dhabi parties and the Liquidating Authorities; and

(b) the Liquidating Authorities have established, to the satisfaction of DOJ and DANY, reasonable procedures which are consistent with the laws of the countries governing distributions by the Liquidating Authorities and are designed to assure that the recipients of funds paid from Board of Governors Account A shall be limited to innocent depositors, creditors and other persons who suffered loss arising from the activities of BCCI, and who did not themselves participate in criminal, illegal, or wrongful behavior in connection with the affairs of BCCI.

In the event such written notice is not received by Board on or before January 1, 1995, the balance in Board of Governors Account A shall promptly be distributed to or for the benefit of the depositors and creditors of BCCI (other than the Abu Dhabi parties) on the instructions of DOJ, DANY and Board.

7. With respect to the balance in Board of Governors Account A, the Abu Dhabi parties waive their right to receive any *pro rata* distribution of funds paid out of Board of Governors Account A to which they would be entitled to as a result of the liquidation of BCCI, and agree to execute any document that is reasonably requested as evidence of the waiver, provided that nothing contained in this Agreement is intended by the Abu Dhabi parties as a waiver of any claim that any of the Abu Dhabi parties may otherwise have against any company or entity that is a part of BCCI, except as set forth in paragraph 10.

8. DOJ, DANY and Board agree that none of them will seek or pursue any prosecution of, or initiate any civil or administrative proceeding against, any of the Abu Dhabi parties arising from the facts and circumstances of the BCCI affair, unless this Agreement is breached by the Abu Dhabi parties. For the purposes of this paragraph, a breach giving rise to the loss of the assurances set forth herein shall be limited to the following specific circumstances:

a) failure timely to deliver the Naqvi documents in accordance with the provisions of paragraph 3(a);

b) failure timely to provide access to those individuals in the custody of the United Arab Emirates authorities in accordance with paragraph 3(b);

c) failure timely to deliver Naqvi pursuant to paragraph 3(e);

d) failure to satisfy the provisions of paragraph (2); and

e) failure to satisfy the provisions of paragraph 4(a) through (c).

In order to insure that the Abu Dhabi parties will satisfy the provisions of paragraphs 3(c) and 3(d) of this Agreement, the Abu Dhabi parties covenant and agree that:

a) the Foreign Minister of the Government of the United Arab Emirates will provide formal assurances to the Government of the United States that the Abu Dhabi parties will honor and perform fully and completely their obligations under paragraphs 3(c) and 3(d);

b) if the Abu Dhabi parties, individually or collectively, commit an unintentional violation of any obligation imposed by paragraphs 3(c) or 3(d) requiring the production of documents, DOJ, DANY, or Board, as the case may be, will be entitled to the delivery in the United States, if requested, of any and all investigative information described in paragraphs 3(c) or 3(d), respectively, so long as the request of DOJ, DANY, or

Board is <u>bona fide</u> and is for specific documents and such violation continues for ten days after receipt by the Abu Dhabi parties of written notice from DOJ, DANY or Board;

c) if the Abu Dhabi parties, individually or collectively, commit a willful and intentional violation of any commitment imposed by virtue of paragraphs 3(c) or 3(d), the Abu Dhabi parties will be liable for a payment in the nature of liquidated damages in the sum of $5 million per violation, but in no event in excess of $100 million in the aggregate, and DOJ, DANY, or Board, may enforce this covenant and agreement by an action brought before the Supreme Court of the State of New York, New York County, if the enforcing party is DANY, or by an action in the United States District Court for the District of Columbia, if the enforcing party is DOJ or Board; provided that in such an action DOJ, DANY, or Board, as the case may be, shall be required to prove the violation by clear and convincing evidence and the parties agree that if a willful and intentional violation is proved, the court shall direct the payment to the Board of Governors Account A established under paragraph 5(b) of this Agreement.

9. The parties agree to a tolling of any applicable statute of limitations as of the effective date of this Agreement, to the extent that such is within their power, as to criminal and civil

matters or actions that may be brought by any party in accordance with the terms of this Agreement.

10. Based on information currently available, DOJ, DANY, and Board acknowledge and confirm the bona fides of the indebtedness to the Abu Dhabi parties referenced in paragraph 4(b) of this Agreement, and FAB, FAC, and the FAC Trustee, in furtherance of this Agreement, agree not to dispute same. In exchange for the agreements and commitments made by the Abu Dhabi parties in paragraph 4 hereof, FAC and FAB agree, as provided below, to settle the civil lawsuit filed by FAC and FAB in the United States Court for the District of Columbia with respect to all of the Abu Dhabi parties. FAC, FAB and the Abu Dhabi parties agree to negotiate in good faith and to enter into a separate settlement agreement that will provide for (1) the dismissal with prejudice and without costs of that lawsuit as to the Abu Dhabi parties, and (2) customary mutual general releases as to any and all claims by the parties to this Agreement against each other and corporate affiliates, officers, directors and agents to be defined in the settlement agreement, which settlement agreement will be filed with said Court within fourteen days after the effective date of this Agreement. In addition, FAC and FAB agree to cooperate reasonably in the

efforts of the Abu Dhabi parties to relieve the DPA of its obligations pursuant to certain outstanding indemnity agreements (and related escrow agreement). Until such settlement agreement is executed and effective, nothing contained in this paragraph 10 shall be deemed a waiver of any claim or defense that FAC, FAB or any of the Abu Dhabi parties may have against each other.

11. To avoid raising issues regarding the sovereign rights of the Abu Dhabi parties, DOJ, DANY, and Board agree that notwithstanding any other provision of this Agreement no member of the Abu Dhabi Ruling Family (the Al-Nahyan Family) will be required by DOJ, DANY, and Board to appear personally in connection with this Agreement. In addition, with respect to personal appearances by representatives of the Abu Dhabi Ruling Family or officials of the Abu Dhabi Government and the United Arab Emirates Government in connection with this Agreement, DOJ, DANY and Board agree to take into account and give consideration to the responsibilities and official duties of such persons. The Abu Dhabi parties agree to pay the costs incurred with respect to any personal appearances by representatives of the Abu Dhabi Ruling Family or officials of the Abu Dhabi Government and the United Arab Emirates Government in connection with this Agreement.

12. Any of the terms or conditions of this Agreement may be waived only in writing by the party entitled to the benefit thereof, but no such waiver shall affect or impair the right of the waiving party or parties to require observance, compliance, performance or satisfaction of any other term or condition hereof.

13. No amendments to this Agreement shall be effective unless made in writing and signed by all parties. No representations, either orally or in writing, except those contained expressly in this Agreement, were made to induce any of the parties to enter into this Agreement. All prior negotiations, oral and written, are merged in this Agreement. Absent a breach of this Agreement, neither this Agreement nor any provision thereof or any act taken or caused to be taken by any of the parties in performance of its obligations under this Agreement shall be used by or against any of the parties or be admissible as evidence of any wrongdoing or liability by or against any of the parties in any legal or regulatory proceeding.

14. This Agreement is by way of settlement only with no adjudication of or finding on any issue of fact or law, and no party, by executing this Agreement or carrying out its terms, admits any wrongdoing or liability with respect to any allegations or claims.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America, and any actions under this Agreement shall be brought in the United States.

16. This Agreement may be executed in one or more identical counterparts, whether transmitted by telecopier or otherwise, each of which such counterparts when executed and delivered shall be deemed to be an original for purposes of this Agreement, but all of

the counterparts together shall constitute one and the same instrument.

17. The effective date of this Agreement shall be January 8, 1994. This Agreement shall become binding irrespective of whether or not all of the Abu Dhabi parties have executed this Agreement, provided, however, that the benefits conferred and obligations imposed by this Agreement shall not inure in favor of or bind those Abu Dhabi parties who do not execute this Agreement on or before January 15, 1994.

18. All notices, communications and requests under this Agreement shall be made to:

(a) on behalf of DOJ:
Gerald M. Stern
Special Counsel
for Financial Institution Fraud
U.S. Department of Justice
Washington, DC 20530

<u>with a copy to</u>:
Lee J. Radek
Director of Asset Forfeiture Office
Criminal Division
U.S. Department of Justice
Washington, DC 20530

(b) on behalf of DANY:
Robert M. Morgenthau
District Attorney
New York County
One Hogan Place
New York, New York 10013

with a copy to:
John W. Moscow
Assistant District Attorney
New York County District Attorney
One Hogan Place
New York, New York 10013

(c) on behalf of Board:
William W. Wiles
Secretary
Board of Governors of the Federal Reserve System
Washington, DC 20551

with a copy to:
J. Virgil Mattingly, Jr.
General Counsel
Board of Governors of the Federal Reserve System
Washington, DC 20551

(d) on behalf of FAC:
Steve Brogan
Jones, Day, Reavis & Pogue
1450 G Street, N.W.
Washington, D.C. 20006

(e) on behalf of FAC Trustee:
Harry W. Albright, Jr.
Trustee, First American Corporation
1270 Avenue of the Americas
New York, NY 10020

with a copy to:
Sol Neil Corbin
Corbin Silverman & Sanseverino
805 Third Ave.
New York, NY 10022

(f) on behalf of FAB:
Steve Brogan
Jones, Day, Reavis & Pogue
1450 G Street, N.W.
Washington, D.C. 20006

(g) on behalf of the Abu Dhabi parties:
H.E. Ghanim Faris al Mazrui
c/o 8th floor, Chamber of Commerce Building
Abu Dhabi, United Arab Emirates

with a copy to:
Middleton A. Martin
Patton, Boggs & Blow
2550 M Street, NW
Washington, DC 20037

and

Jerry Walter
Simmons & Simmons
14 Dominion Street
London EC2M2RJ

19. The parties hereto agree to consult with each other in advance of any publication of or relating to this Agreement or any of its terms as to the nature, form and timing of such publicity.

Dated:

AGREED AND CONSENTED TO:

by ______________________________
Gerald M. Stern
Special Counsel for Financial Institution Fraud on behalf of the United States Department of Justice

______________ Date

by ______________________________
John W. Moscow
Assistant District Attorney on behalf of the New York County District Attorney

1/8/94
Date

by ______________________________
William W. Wiles
Secretary, Board of Governors of the Federal Reserve System

1/7/94
Date

by _Harry W. Albright, Jr._ _Jan 8 1994_
Harry W. Albright, Jr. Date
FAC Trustee

by _Chas McC. Mathias_ _8 January 1994_
Charles Mathias, Chairman Date
First American Corporation

by _Chas McC. Mathias_ _8 January 1994_
Charles Mathias, Chairman Date
First American Bankshares, Inc.

by ______________________ ____________
on behalf of
Sheikh Zayed bin Sultan Al-Nahyan Date

by ______________________ ____________
on behalf of
Sheikh Sultan bin Zayed Al-Nahyan Date

by ______________________ ____________
on behalf of
Department of Private Affairs of Date
Sheikh Zayed bin Sultan Al-Nahyan

by ______________________ ____________
on behalf of
Sheikh Mohammed bin Zayed Al-Nahyan Date

by ______________________ ____________
on behalf of the Date
Abu Dhabi Department of Finance

by ______________________ ____________
on behalf of the Date
Abu Dhabi Investment Authority

by ______________________ ____________
on behalf of
Sheikh Tahnoon bin Mohammed Al-Nahyan Date

by ______________________ ____________
on behalf of
Sheikh Suroor bin Mohammed Al-Nahyan Date

by ______________________ ____________
Ahmed Khalifa al Suweidi Date

by ______________________________ ______________
Harry W. Albright, Jr. Date
FAC Trustee

by ______________________________ ______________
Charles Mathias, Chairman Date
First American Corporation

by ______________________________ ______________
Charles Mathias, Chairman Date
First American Bankshares, Inc.

by ______________________________ ______________
on behalf of Date
H.H. Sheikh Zayed bin Sultan Al-Nahyan

by ______________________________ ______________
on behalf of Date
H.H. Sheikh Sultan bin Zayed Al-Nahyan

by ______________________________ ______________
on behalf of Date
Department of Private Affairs of
H.H. Sheikh Zayed bin Sultan Al-Nahyan

by ______________________________ ______________
on behalf of Date
H.H. Sheikh Mohammed bin Zayed Al-Nahyan

by ______________________________ ______________
on behalf of the Date
Abu Dhabi Department of Finance

by ______________________________ ______________
on behalf of the Date
Abu Dhabi Investment Authority

by ______________________________ ______________
on behalf of Date
H.H Sheikh Tahnoon bin Mohammed Al-Nahyan

by ______________________________ ______________
on behalf of Date
H.H. Sheikh Suroor bin Mohammed Al-Nahyan

by ______________________________ ______________
H.E. Ahmed Khalifa al Suweidi Date

by ______________________________ ______________
H.E. Mohammed Habroush al Suweidi Date

by ______________________________ ______________
H.E. Mohammed Khalifa al Kindi Date

by ______________________________ ______________
H.E. Mana Saeed al Otaiba Date

by ______________________________ ______________
H.E. Ghanim Faris al Mazrui Date

by ______________________________ 8/1/94
H.E. Jauan Salem al Dhaheri Date

by ______________________________ ______________
H.E. Adnan Al Pachachi Date

Exhibit A

Chairman H.H. Sheikh Khalifa bin Zayed Al-Nahyan
H.H. Sheikh Sultan bin Zayed Al-Nahyan
H.H. Sheikh Mohammed bin Zayed Al-Nahyan
H.H. Sheikh Tahnoon bin Mohammed Al-Nahyan
H.H. Sheikh Suroor bin Mohammed Al-Nahyan
H.E. Ahmed Khalifa al Suweidi
H.E. Mohammed Habroush al Suweidi
H.E. Mohammed Khalifa al Kindi
H.E. Mana Saeed al Otaiba
H.E. Ghanim Faris al Mazrui
H.E. Jauan Salem al Dhaheri
H.E. Adnan Al Pachachi

Exhibit B -- PART I

Swaleh Naqvi
Hassan Mahmoud Kazmi
Ameer Siddiki
Mohammed Azmatullah
Zafar Iqbal Chaudry
Abdul Hafeez (Mohammed Ahmaed)
Imtiaz Ahmed
Nasseem al Hassan Sheikh
Bashir Tahir
Fahir Hussain (Fakhir Hussein)

Exhibit B -- PART II

Iqbal Rizvi
Saleem Siddiki
Sohail Kizilbash
Qaisar Raza
Hassan Askari Khan
Babar Saeed
Mohammed Abdul Mujeeb
Nadim Habibullah

Exhibit C

1. Three Credit and Commerce American Holdings, N.V. ("CCAH") convertible debentures issued December 5, 1990, in the aggregate amount of $8,496,130.33.

2. Three promissory notes issued by CCAH, dated February 14, 1991, in the aggregate amount of $51,000,000.

3. Senior notes of First American Bankshares, Inc. ("FAB"), Series A-D, each dated as of December 1, 1986, as amended, in the aggregate principal amount of $81,500,000, issued pursuant to Senior Note Agreements, each dated December 1, 1986, to various purchasers.

4. Two promissory notes of First American Corporation ("FAC"), each dated as of June 26, 1991, in the aggregate principal amount of $39,150,000.

5. FAC's indebtedness under a loan agreement dated as of October 20, 1982, by and among FAC, Credit and Commerce American Investment, B.V., Banque Arabe et Internationale d'Investissement and certain other banking institutions pursuant to which a loan in the original principal amount of $50,000,000 was made to FAC.

Exhibit D

Registered Owner	Number of Shares
Abu Dhabi Investment Authority	19,141
Khalifa bin Zayed Al-Nahyan	28,741
Zayed bin Sultan Al-Nahyan	33,994

Exhibit E

The "Naqvi documents" referred to in paragraph 3(a) of the foregoing agreement shall mean those documents described in a letter dated November 15, 1993, from Patton, Boggs & Blow to DOJ, DANY, Board as indexed at 000073-000974.

CL VP
MACK
George
Gergen
Rubin
Rasco
LAKE
Verveer

THE WHITE HOUSE
WASHINGTON

DATE: 01/19/94

TO: THE VICE PRESIDENT
MACK MCLARTY
GEORGE STEPHANOPOULOS
DAVID GERGEN
ROBERT RUBIN
CAROL RASCO
TONY LAKE
MELANNE VERVEER

FROM: **JOHN D. PODESTA**
Assistant to the President and Staff Secretary

The attached has been forwarded to the President.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 18, 1994

94 JAN 19 P12:09

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: Adjustments to the FY 1995 Budget Proposals

Since December 21st, when we met on the proposals for discretionary spending to be contained in your FY 1995 Budget, I have made certain adjustments to the agency proposals after consulting with the relevant Cabinet Secretaries. In total, these adjustments added about $5.1 billion in discretionary budget authority for FY 1995, but no net outlays. All of the new outlays from the additional funding were offset by additional procurement savings (consistent with the Vice President's National Performance Review recommendations), new obligation delays, and other budget authority and outlay reestimates. The proposals meet the FY 1995 spending caps.

The most significant adjustments are listed below:

	Change from Dec. 21 levels (in millions of dollars)	
	Budget Authority	**Outlays**
• Additional funding for military pay raise.	2,400	0
• Fund disaster programs without resorting to "emergency contingency" gimmick.	765	428
• Increase for Veterans' programs.	138	141
• Increase for Legal Services Corporation. (Proposed budget authority for '95 is $500 million, a 25% increase from '94.)	68	51
• Additional funding for UN Peacekeeping and Tied Aid credits.	408	307

• Switch of HUD funds to put more into Empowerment Zones.	500	3
• Additional funding for Title X Family Planning.	18	6
• TRP funding within DOD was increased to $625 million.	--	--
• Additional procurement savings. (Total savings are $750 million in budget authority for '95 and $10.3 billion over 5 years.)	-250	-63
• Legislative branch increase. (This last minute increase must, by law, be included in your budget. However, we have offset it through a negative "allowance" instead of cutting any of your proposals.)	(245)	(246)
• Various reestimates of outlay rates.	0	-873
• Repricing of highway demonstration project rescissions and all other BA adjustments.	1089	0
Total adjustments	5136	0

For dislocated workers, in addition to providing DOL with discretionary funding of $1.5 billion in FY 1995 and $9.9 billion over 5 years, we have agreed to work with them to come up with an additional $2 billion over 5 years on the mandatory side.

Also, the proposed rescissions of highway demonstration projects has been reduced from $5.7 billion to $4.7 billion over the 1994-1997 period. In particular, the 1994 rescission has been reduced from $2.4 billion to $2.2 billion. Only the funding for these highway demonstration projects not under construction are proposed for rescission. Projects that have recently reached construction status are no longer proposed for rescission, thus lowering the total proposed rescission level.

Finally, the discretionary budgetary effects of the Health Care Reform proposal plan are proposed to be offset by tobacco taxes in 1995 and to fit within the discretionary caps for 1996-1998. Thus, a change to the Budget Enforcement Act will not be required and a Senate 60 vote point of order cannot be raised.

The Washington Post Writers Group
THE PRESIDENT HAS SEEN 1/18
1150 15TH STREET, N. W., WASHINGTON, D. C. 20071-9200
TEL: (202) 334-6375 (800) 879-9794
YODE07▾tn--i
r k

^bc-yoder-column adv10<
^EDWIN YODER COLUMN<
^(Advance for Monday, January 10, 1994, and thereafter)<
^(For Yoder Clients Only)<
^By EDWIN M. YODER, JR.=

WASHINGTON--My sense is that what the country wants in the Whitewater investigation is some assurance that President and Mrs. Clinton neither abused state office nor cut legal corners before they came to Washington.

Fair enough.

The Whitewater affair belongs to the Arkansas years and has nothing to do with Bill Clinton's deportment in the White House. The Clintons liquidated their investment in the resort venture in December 1992, before the inauguration, apparently at a substantial financial loss.

At its worst, the substance of innumerable insinuations in the press and by political partisans is that Madison Guaranty, a small S&L owned by James McDougal, an Arkansas friend and former investment partner, got regulatory favors from Arkansas officials appointed by Bill Clinton as governor when Clinton had a stake in one of McDougal's shaky enterprises. And that assets of the failing thrift, which eventually went bust at a cost to the taxpayers of some $47 million, were milked to settle debts from Clinton's 1984 campaign for governor or to see the Whitewater resort properties through a cash-flow crisis when its lots weren't selling well--or both.

These are serious insinuations, not yet framed as charges. Before they are framed as charges, a few basic questions should be asked. If it is being hinted that the first family profited from a failing thrift, where are the profits? All that is on the record so far is a loss amounting to some $68,000. The Whitewater venture has the marks of many ventures of the 1980s, in which money was as often lost as made. There is no solid evidence so far that the Clintons knew of any shady dealings by their partner McDougal; and McDougal has himself been acquitted of bank fraud charges.

(more)

It is well to wait and see. But so far, the alleged scandal looks to me like thin stuff. The American public, led by a scandal-mongering press, now habitually assumes that there is venality where, more often, there is only bad judgment or mismanagement or, in this case, what Time magazine describes as the ''clubby'' climate of the legal/business/political networks characteristic of Arkansas.

For that matter, the real point of the nation's costly S&L fiasco, of which the failure of Madison Guaranty in Arkansas was part, was not widespread venality, though there was much of that. Rather, it sprang from a huge but avoidable error of public policy, the congressional decision to boost thrift institutions by raising deposit guarantees to the $100,000 level already accorded commercial bank deposits. The change enlarged the holdings of S&Ls and exposed some of them to predatory mismanagement and the rest is very expensive history.

However serious the questions about Whitewater may be, they are unlikely to be answered by an independent counsel. A superstition has developed that lawyers are exemplary arbiters of public morality when, in fact, their expertise lies in disentangling the tangles created by other lawyers. Lawyers in the special counsel role are good at evaluating sleight of hand, but often at sea when it comes to broader judgments about public ethics.

Bob Dole, Newt Gingrich and other partisan Republicans are nonetheless baying for the appointment of an independent counsel--an expedient in which they are supported by important newspapers. Dole, however, is in the hypocritical position of battling against renewal of the expired special counsel law while calling for the appointment of just such a functionary to probe the Whitewater/Madison Guaranty case. Meanwhile, the case has already been assigned to a Justice Department professional of what is described as an impeccable Republican background; and the Clintons have wisely decided to send their personal Whitewater records to him for examination.

The use of special prosecutors, now a mania in Washington, should be reserved for truly special occasions when the very credibility of government is in doubt. Their obsessive use in response to every peep of scandal is counterproductive. As Suzanne Garment has noted in her fine book

''The Culture of Scandal,'' the real effect of the special counsel mania is not to uncover significant wrongdoing. Little of that has been found by an expensive succession of special prosecutors. It is instead to perpetuate the illusion that Washington is teeming with scandal, which it isn't. A destructive and growing public cynicism is the result.

050241

THE WHITE HOUSE
WASHINGTON

DATE: 1/18/94

NOTE FOR:
The Vice President
Bob Rubin
David Gergen
Tony Lake
Leon Panetta

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒

Action ☐

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1000

THE PRESIDENT HAS SEEN

BC/P/ Looks good! cc Rubin Gergen

94 JAN 12 P6:25

JAN 1994

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Department of Defense Plans for Dual-Use Technology Programs

At our December 10th budget meeting, you indicated interest in the Department's plans for ARPA's highly successful, interagency Technology Reinvestment Program (TRP). I thought it would be useful to summarize briefly our plans for the TRP and related dual-use technology programs for fiscal year 1995.

As you mentioned, the TRP program is a prime example of our defense reinvestment efforts:

- The technology projects present real opportunity for significant growth of high quality jobs.

- Project selection is based on merit; earmarking has been largely avoided, and the program is not viewed as overtly political.

- Presidential interest in the program, including your announcement of program winners, inspires public confidence in the future economic benefit of technology investments.

Building on these essential qualities, I believe there are several important reasons to broaden our dual-use efforts beyond the TRP as we look to the future:

First, the TRP program emphasizes technology creation over the more demanding function of technology deployment. US industry lags in translating new technology into practical economic use. We need to do more to foster this transfer. agree

Second, at the proposed FY95 budget level of $625 million, the TRP program will exceed a quarter of ARPA's total budget. In this tight budget time, if we want to keep the TRP effort growing and counter congressional criticism that dual-use efforts are diverting resources from other important ARPA missions, it is important to replicate the TRP initiative in the Military Service R&D programs. This expansion will provide a much larger budget base for growth and has the additional benefit of encouraging the Services to increase the use of lower cost commercial technology in military applications.

Therefore, the dual-use technology program that we will be proposing for FY95 expands the TRP, continues other ARPA technology programs that have dual-use applications, and adds two new initiatives:

- A $200 million Dual-Use Technology Application program designed to bring key new technologies (e.g., flat panel displays and electronic packaging) to the commercial market place.

- A $50 million Navy dual-use technology program modeled on the TRP program that will stress technologies of particular relevance to the Navy. In future years, we intend to increase the Navy program and to expand similar programs to the Army and Air Force. The strength of the Office of Naval Research makes the Navy the right place to begin.

We will be developing concrete plans for these two initiatives in the coming months and hope that you will be involved in the announcement of these new dual-use technology initiatives.

To maintain broad congressional support for these dual-use initiatives, it is crucial to stress that the technology areas selected for support are important for <u>both</u> the defense and commercial sectors and that specific projects are selected competitively. There is increasing recognition that the Department of Defense, as a matter of economic necessity, needs to rely progressively on commercial technology, goods, and services for many military purposes. From this will come acceptance that dual-use programs are win-win for both defense and the civilian economy.

In summary, the Department plans to expand its dual-use technology programs between FY94 and FY95 as follows:

<u>DOD Dual-Use Initiatives</u>	<u>FY94</u>	<u>FY95</u>
ARPA Technology Reinvestment Program	$474 M (+ Reprogramming)	$625 M
Related ARPA Dual-Use Programs	$1230 M	$1204 M
Dual-Use Technology Application Program	0	$200 M
Navy Technology Reinvestment Program	0	$50 M

Funds for the Dual-Use Technology Application Program will come from unexpended FY94 funds under the Defense Production Act; the Navy TRP program will come from the on-going Navy technology base program.

Les Aspin

ADVANCED RESEARCH PROJECTS AGENCY
DUAL USE TECHNOLOGY PROGRAM

Program Element	Title	Funding ($M) FY 94	FY 95
61101E	**Basic Research**		
	Information Sciences	33.4	24.3
	Electronic Sciences	28.7	41.9
	Material	22.1	21.5
	Subtotal	84.2	87.7
62301E	**Computing Systems and Comm Tech**		
	Intelligence Systems/Software	68.2	93.6
	High Performance Computing	193.8	233.7
	Software Engineering	37.2	40.2
	Subtotal	299.2	367.5
62708E	**High Definition Systems**	84.5	50.0
62712E	**Materials and Electronic Tech**		
	Metal Matrix and Ceramics	31.4	3.1
	Diamond Substrate MCM	12.3	0.6
	Battery Program	6.0	
	Materials Processing	77.7	92.2
	Optoelectronics	38.1	25.4
	Electronics Processing	65.1	62.9
	MCM-HTSC	15.0	
	High Temperature Superconductivity	22.8	14.2
	Military Medical/Trauma Care Tech		15.3
	Subtotal	268.4	213.7
63739E	**Electronics Manufacturing Tech**		
	Microelectronics Manufacturing		10.0
	MIMIC	79.5	26.3
	IR Focal Plane Array	41.4	44.8
	Multi-Chip Modules	28.2	24.7
	Electronic Module Technology	68.0	106.3
	Environmental Conscious Electronic Mtg	20.0	11.0
	Microwave/Analog Front End Tech		26.9
	Manufacturing Technology Initiatives	2.9	
	Composite Materials Manufacturing	3.8	
	Dual-Use Design and Manufacturing Tech		12.3
	Advanced Lithography	57.9	25.0
	DOD/CTC CALS Initiative	43.0	40.0
	Subtotal	344.7	327.3
63745E	**SEMATECH**	90.0	78.4
63226E	**EEMIT**		
	Advanced Simulation	58.6	79.4
	TOTAL	1229.6	1204.0

THE WHITE HOUSE
WASHINGTON

DATE: 1/18/94

NOTE FOR: Mack McLarty
George Stephanopoulos
Carol Rasco

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action XX

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN
1/18/94

OFFICE OF NATIONAL DRUG CONTROL POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
Washington, D.C. 20500

94 JAN 14 P6:39

January 14, 1994

Mack / CS / Cruz
Better get on this ASAP —

MEMORANDUM FOR THE PRESIDENT

FROM: LEE P. BROWN LB
DIRECTOR

SUBJECT: Drug Use on the Rise

I have received preliminary information on drug use trends among our Nation's youth that says that drug use is seriously on the rise. This information will probably be released within the next two weeks and will likely generate more unfavorable press about the Administration's commitment to the anti-drug effort.

Survey Information

The source of the troubling news in the University of Michigan's Monitoring the Future Survey (MTF Survey), also known as the High School Senior Survey. The MTF survey monitors drug use by 12th graders (since 1975) and 8th and 10th grades (since 1991). [Draft charts showing the recent trends in drug use are attached.]

Last year the Monitoring the Future survey reported continued progress in reducing drug use among high school seniors but reported a troubling increase in marijuana, LSD, and cocaine use among eighth graders and an increase in marijuana use by tenth graders (these are the three age groups covered by the MTF Survey).

This year's survey will report increases for all grades. Increases in marijuana and hallucinogen use are most notable. Cocaine use has not increased but student attitudes are beginning to soften about the dangers of cocaine use; its use could increase if we do not intervene.

The 1994 National Drug Control Strategy

We are now working on the 1994 National Drug Control Strategy and budget, which will be released at the beginning of February with your entire Federal budget. This strategy will delineate our goals and objectives, the budget resources, and program plans for implementing the Interim Strategy that was released last September.

Proposed resources of Prevention Programs are at the FY 1994 enacted level and are adequate to do what we need to reach our nation's youth. The issue in my mind is not the amount of funding, but whether the existing programs are effective. I have directed my staff to ensure the 1994 Strategy contains a plan to bring together prevention experts throughout the country and in the Federal government to discuss how best to address the problem of increased drug use among our youth and to prevent others from starting. My sense is that our prevention message has gone stale and we need to freshen it up.

Next Step

The Administration has been unfairly criticized for not caring about the issue of drug use and this news will enable critics to voice their concerns even more.

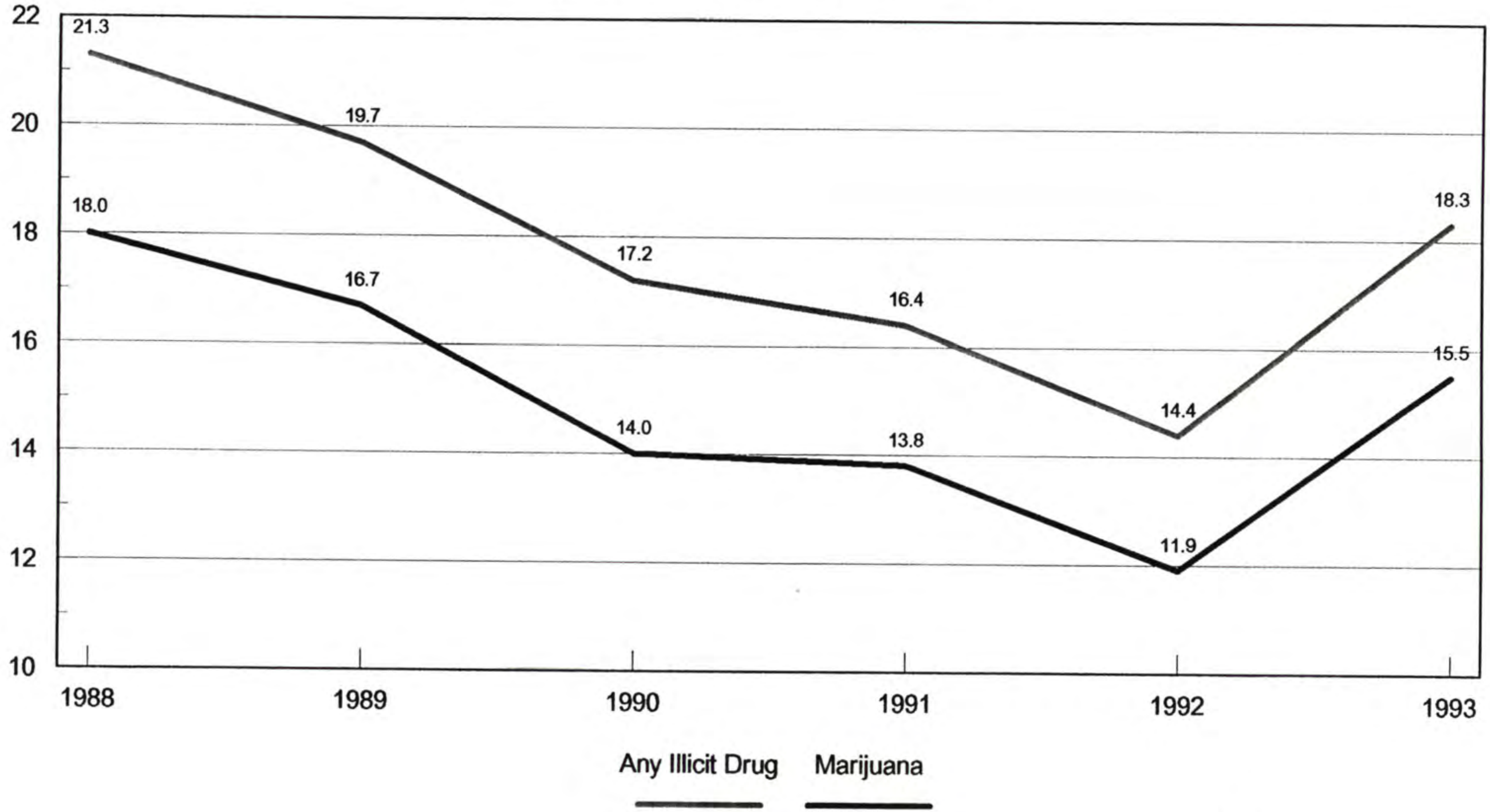
I intend to participate in the release of the MTF data later this month and use that occasion to discuss our prevention program, the need for parents to teach their children about drug abuse, and will announce my intention to bring together prevention experts to develop an aggressive course of action to turn this trend around.

Attachments

DRAFT

SENIOR SURVEY: USE OF ANY ILLICIT DRUGS AND MARIJUANA BY HIGH SCHOOL SENIORS

(current use; % of all seniors)

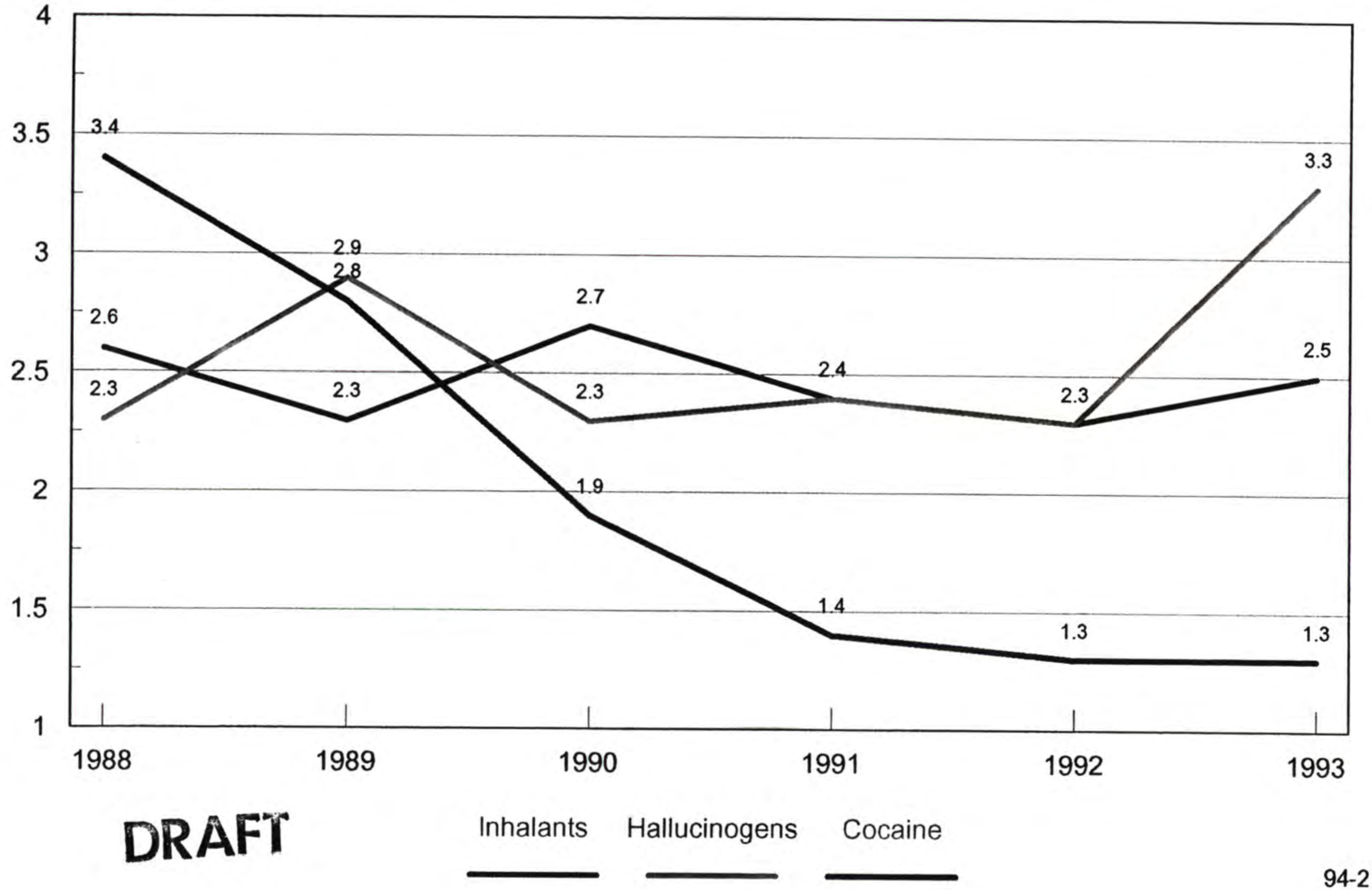


94-1

SENIOR SURVEY: USE OF COCAINE, HALLUCINOGENS, AND INHALANTS BY HIGH SCHOOL SENIORS

(current use; % of all seniors)

DRAFT

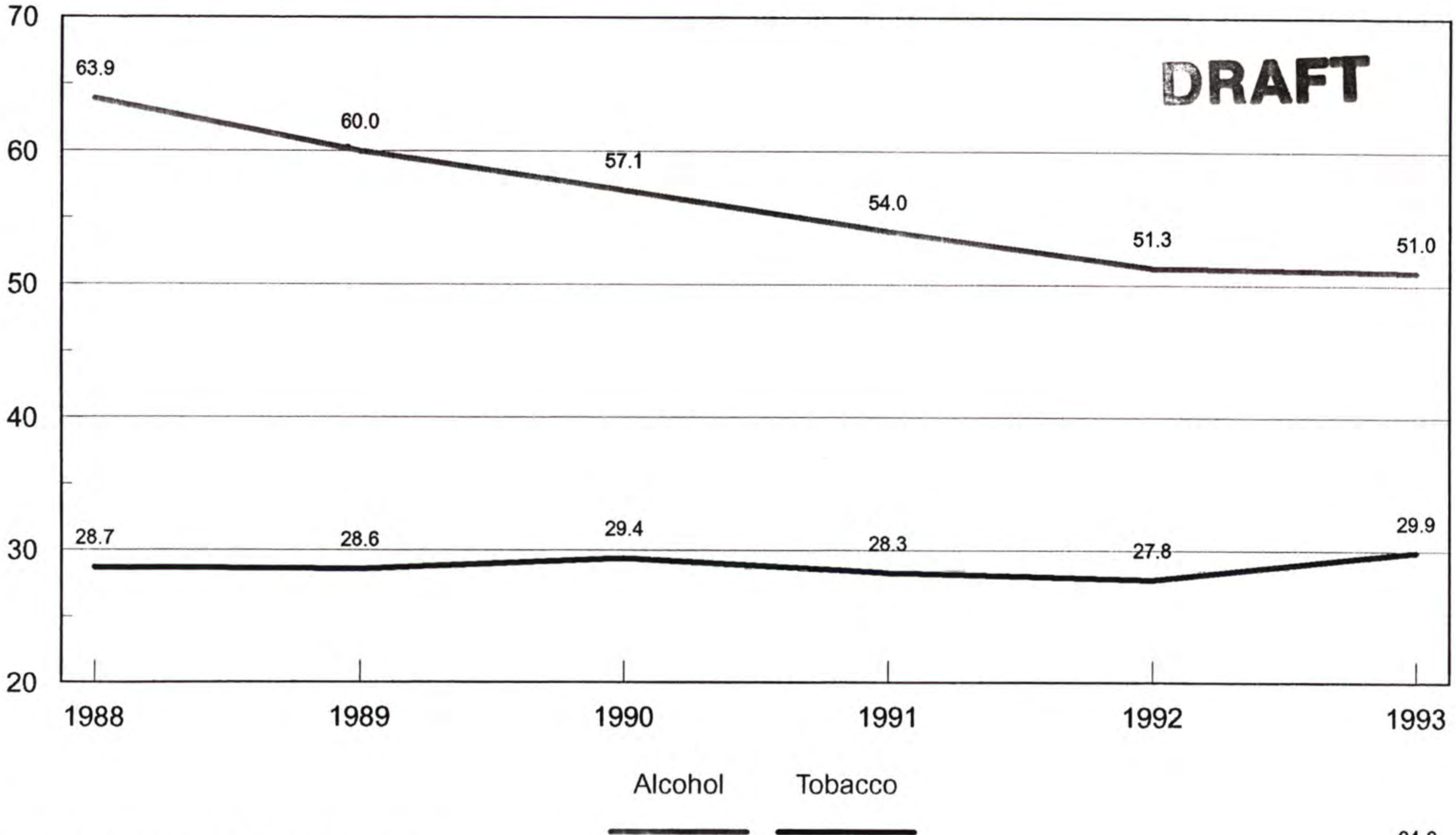


DRAFT

94-2

SENIOR SURVEY: ALCOHOL AND TOBACCO USE BY HIGH SCHOOL SENIORS

(current use; % of all seniors)



94-3

Source: High School Senior Survey.

HIGH SCHOOL SENIOR SURVEY: PAST MONTH USE OF COCAINE BY TWELFTH, TENTH, AND EIGHTH GRADERS

	Twelfth Graders	Tenth Graders	Eighth Graders
90	1.9%	- -	- -
91	1.4%	0.7%	0.5%
92	1.3%	0.7%	0.7%
93	1.3%	0.9%	0.7%

Source: Monitoring the Future Survey
(High School Senior Survey)

DRAFT

HIGH SCHOOL SENIOR SURVEY: PAST MONTH USE OF HALLUCINOGENS BY TWELFTH, TENTH, AND EIGHTH GRADERS

	Twelfth Graders	Tenth Graders	Eighth Graders
90	2.3%	- -	- -
91	2.4%	1.6%	0.8%
92	2.3%	1.8%	1.1%
93	3.3%	1.9%	1.2%

Source: Monitoring the Future Survey
(High School Senior Survey)

DRAFT

HIGH SCHOOL SENIOR SURVEY: PAST MONTH USE OF MARIJUANA BY TWELFTH, TENTH, AND EIGHTH GRADERS

	Twelfth Graders	Tenth Graders	Eighth Graders
90	14.0%	- -	- -
91	13.8%	8.7%	3.2%
92	11.9%	8.1%	3.7%
93	15.5%	10.9%	5.1%

Source: Monitoring the Future Survey
(High School Senior Survey)

DRAFT

THE WHITE HOUSE
WASHINGTON

DATE: 1/18/94

NOTE FOR: Mack McLarty

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action ☒

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
1/15/94

January 10, 1994

94 JAN 10 A8:12

Mack — We need to push this — very urgent to us

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Philadelphia Naval Shipyard

Purpose

To respond to your question on the status of efforts to transition the Philadelphia Naval Shipyard to commercial use.

Background

You asked for the current status of conversion plans for the Philadelphia Naval Shipyard (PNSY). The state of play essentially has not changed: a single local re-use plan still has not been submitted. Mayor Rendell, Senator Specter and others have joined forces behind a concept plan for redevelopment of the yard, but they have yet to move forward.

In addition, Senator Specter continues to pursue his civil suit against the government, although the suit has not yet come before the Supreme Court.

Meanwhile, DoD and Labor officials are planning a low-key visit to PNSY to discuss worker adjustment and retraining needs. Also on the positive side, we have recently acted to help PNSY transition to civilian use by awarding two Technology Reinvestment Project grants to the shipyard totalling approximately $19 million.

Representative Murtha is anxious to have the $50 million appropriated by Congress last year for PNSY released before you leave for Europe. In a series of letters from Secretary Aspin to Senator Wofford, Deputy Secretary Perry to Senators Wofford and Specter and, most recently, from you to Senator Wofford, we have pointed out that the Administration is ready to move forward with efforts to transition PNSY once we receive a re-use plan.

cc: Vice President
Chief of Staff

THE WHITE HOUSE
WASHINGTON

DATE: 1/18/94

NOTE FOR: The Vice President

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action ☒

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN
1/15/94

TO VP

Do you agree with this? I thought his idea had merit

THE WHITE HOUSE

WASHINGTON

94 JAN

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT RUBIN AND ANTHONY LAKE

SUBJECT: Analysis of Lee Williams' Proposal on Russia

As per your request, we have analyzed Lee Williams' proposal for a partnership between the U.S. and Russian governments and U.S. corporations to rebuild Russia's infrastructure (TAB A). Its central feature is a U.S.-Russian Resource Bank for infrastructure lending, funded by foreign assistance seed money, Russian natural resource sales and Russian taxes. The idea is that our foreign aid may be paid back.

The proposal hinges on using natural resources as either collateral or barter for infrastructure financing. However, there is a limit to the extent that Russia can or should do this. First, Russia is resistant to foreign ownership of its natural assets. Second, the production of many Russian resources has been constrained (or even fallen) due to poor pricing and regulatory policies. (For example, oil production has fallen over the past few years due in large part to below market pricing of oil -- such that one out of five oil wells are shut in because they would lose money if they produced.) Third, preferred creditors like the World Bank are reluctant to agree to widespread collateralization/barterization because this means they would lose their preferred creditor status. Finally, the Russians are placing a priority on reducing their fiscal deficit and focusing expenditures on social services which former state owned enterprises once provided, suggesting that there is not scope in Russia's budget to provide funding to this new bank.

Nevertheless, many elements of Williams' proposal are already incorporated in our Russia programs. For example, a large portion of our foreign assistance is provided through enterprise and privatization funds which finance projects and businesses in a wide range of sectors. If these funds work as they did in Eastern Europe, they should build productive enterprises and may well be paid back with interest. In addition, we have tried to collateralize lending where possible. The $2 billion Ex-Im Bank oil and gas deal is essentially lending for energy infrastructure to be repaid by the proceeds of the extra energy that Russia produces due to the upgrades. Moreover, the partnership between U.S. business and the U.S. and Russian governments has already

cc: Vice President
Chief of Staff

begun through a variety of mechanisms -- the Gore/Chernomyrdin Commission and Secretary Brown's Business Development Committee. Finally, we have encouraged the World Bank and the EBRD lending to Russia. These institutions have the expertise and resources for infrastructure projects, and U.S. firms do well in bidding for IFI procurement contracts.

Attachment:
Tab A Note from Lee Williams

THE WHITE HOUSE

WASHINGTON

January 3, 1994

MEMORANDUM FOR SYLVIA MATHEWS

FROM: HELEN WALSH HW

SUBJECT: Response to the President's Request for Analysis of Lee Williams' Suggestions on Russia

Attached is an analysis of Lee Williams' proposals on Russia which the President asked Bob Rubin to undertake. It has been cleared by Bob Fauver and Nick Burns. We have drafted it as a joint response from Bob and Tony Lake given the foreign policy implications.

BR/SM

The following memo is from Lee Williams. He believes that the proposed ideas will change history. To quote Lee, "it is so imaginative, innovative, and grand in scale, that I would never forgive myself if I did not make the attempt to get it directly to the one person who might choose to implement it."

The proposal refers to Boeing and the other company is Bechtel. I've also enclosed a bio on Frank Shrontz, CEO at Boeing who is the moving force behind the proposal. I am sure you know him and Tony Rodham has also been working with him. He is ready to brief you or the person on your staff that you hand this to for development.

① Call Helton:

[illegible]

To Bob Rubin

— Pls have this evaluated
Discuss w/ approp. person
at NSC —

— Advise - Lee Williams
was Sen Fulbright's AA
& is a good friend

BC

BR/SM

REMAKING RUSSIA

This paper outlines a proposal of unprecedented magnitude for remaking Russia into a modern free-market economy, calling on the skills and energy of the giants of American industry to rebuild Russia's transportation, communications, energy, environment, housing and other infrastructures from the ground up.

Not since the end of World War II and the rebuilding of the European and Japanese economies has the United States confronted such a momentous opportunity to influence the course of history.

The proposal could mean the long-term political and economic stabilization of Russia, the forging of permanent ties between the U.S. and Russia, and the creation of thousands of new jobs in the two nations.

It proposes a partnership between the U.S. and Russian governments and some of the largest corporations in America. It would use U.S. foreign aid as "seed money" to begin the process, repaying that and the costs incurred by U.S. industry through the sale of Russia's vast mineral and natural resources. **This is not a cash give-away program.**

It further proposes creation of a U.S.-Russian Resource Bank under authority of an executive agreement to control the flow of money so it doesn't become lost or entangled in the confusion of post-Cold War Russia.

The U.S. government would provide up-front funding to jump-start the project, but would retain the option of repayment or partial repayment. The President could invite other G-7 nations to participate.

The Russian infrastructure currently lacks the necessary transportation and distribution systems for getting crops and products to consumers in a timely fashion, and is hampered by the lack of housing, modern communications systems and the other basics of a modern free-market system.

American corporations would plan and manage the rebuilding effort, utilizing smaller U.S. and Russian businesses as needed.

The Russian government badly needs the political and economic benefits the plan would bring, and should be anxious to embrace it. However, we are confronted with a critical and probably short-lived "window of opportunity". If the U.S. fails to take bold action, other nations may step in with similar plans.

Getting Started

Because it is the key to revitalization of the Russian economy, this plan proposes the creation of a modern transportation and distribution system--highways, funding already has done, and to ensure the conversion of Russian natural resources into cash payments to U.S. industry.

Such a mechanism could be a U.S.-Russian-sponsored resources bank. It could be an existing bank such as the EXIM Bank. The basis of the plan is a resource bank with barter authority wherein Russian natural resources (oil, precious metals, timber, etc.) are developed and sold on world markets and the proceeds used as payment or partial payment for work completed by U.S. companies and repayment of U.S. government seed money.

The resources-for-payment approach will require a bank in the U.S. and a corresponding bank in Russia. The Russian Resource Bank will act as an escrow agent to transfer title to natural resources and transfer funds between parties. It will assist in the financial processes of buying and selling natural resources and products worldwide.

The U.S.-Russian Resource Bank will support the industry management team in its fund transfer, audit and trading functions. Proceeds from the sale of natural resources would flow to the resource owners and a percentage of the proceeds will go to the Russian Resource Bank to repay U.S. aid if repayment is required.

Funding for infrastructure projects would come from the sale of resources, Russian taxes and the U.S. foreign aid and would be transferred through the Russian Resource Bank and the U.S. bank to the U.S. Industrial Joint Venture Program Management Office.

There are a number of challenges in creating a U.S.-Russian Resource Bank, with the first challenge being the unstable legal and regulatory base of such an agency in Russia. To overcome this problem, the legal and regulatory charter for the U.S.-Russian Resource Bank will be defined in a U.S.-Russian executive agreement.

Conclusion

It must be emphasized that our approach is based on goods and services paid for by foreign aid seed money, funds from resource sales and the Russian Government escrowed through a resource bank. This is not a cash giveaway program!

This program is of such an magnitude that it is certain to make a significant difference, enhancing the political stability of Russia and driving its economic growth while increasing U.S. jobs. It is bold enough to be the centerpiece of American foreign policy for decades to come.

REMAKING RUSSIA

September 1993

A New Approach for Aid to Russia

- The free world has a window of opportunity to aid Russia in employing and feeding their people while evolving free market enterprises

  - Gives the U.S. an opportunity to demonstrate our free enterprise system before other countries demonstrate theirs
  - Sets the stage for long-term stable relationships with Russia
  - Provides a payback approach for foreign aid that will relieve the burden on the American taxpayer
  - Creates an investment opportunity for American firms with world market positioning and potential profits

The following charts describe a concept for putting this approach into action

Concept Features

- This proposed concept:
  - Will mobilize American industry in concert with the U.S. Government to create needed infrastructure in Russia in areas such as:
    - Transportation
    - Communications
    - Power
    - Food Production
    - Housing
    - Defense Conversion
    - Environment
  - Not a cash giveaway program
  - Disciplined and synergistic approach to create high-tech jobs in the U.S. and Russia
- Foreign aid will be used for startup funding and may be repaid

Transportation selected as the first project

Economic Growth Restrained by the Russian Transportation Network

- Existing transportation limitations cause serious food, fuel and other shortages and limit full development of Russian natural resources
- Russia needs major improvements in roads, railroads, airports and associated transportation equipment
- Modern transportation systems will serve as a catalyst to accelerate economic growth
- The sale of natural resources will generate cash to help pay for needed transportation development

The U.S. Has the Capacity to Help Improve Transportation

- U.S. industry needs to expand its markets in transportation, construction and related service areas
- We recognize the potential markets in Russia but must be paid for our products and services
- U.S. Government must provide the framework and leadership for successful industry participation
- Good business relationships with Russian companies will result in long term trusted relationships with American companies

U.S./Russian Resource Bank

- A mechanism for using Russian natural resources to pay for U.S. equipment and services will be U.S./Russian sponsored resource banks
- The U.S. bank and the corresponding Russian bank will be organized under a U.S./Russian executive agreement
- The bank's major purpose will be to act as an escrow agent for the transfer of funds and titles to goods between parties
- Foreign aid designated for Russia from the U.S. will be used for initial funding with the potential of being repaid out of future earnings

U.S. Resource Bank Functions

- The U.S. bank would do the following:
  - Channel designated U.S. Foreign Aid to the program joint venture participants
    - As startup funds
    - To supplement loan funds from the Russian Resource Bank
  - Serve as U.S. Government control and audit agency
  - Carry out corresponding duties with Russian Resource Bank
- Foreign aid will be phased out as sufficient natural resource funds are available

Russian Resource Bank Functions

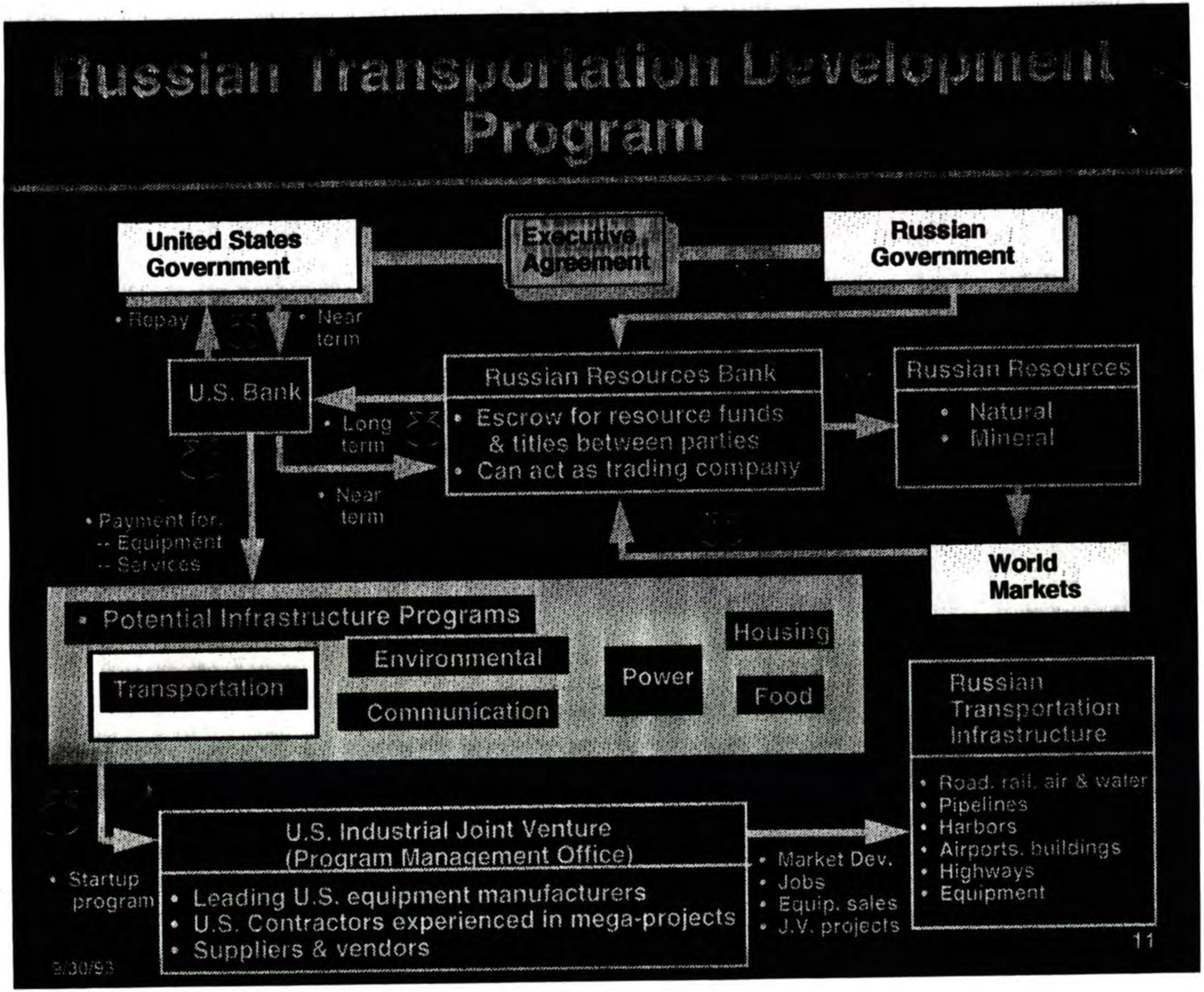
- **Russian Resource Bank would:**
  - Transfer title to natural resources between producers and buyers
  - Transfer funds between parties and the U.S. Bank
  - Verify designated producers and program participants receive authorized funds
  - Assist in marketing of natural resources worldwide
  - Arrange letters of credit and other instruments required in world trade
  - Interface with other world trading banks
  - Support the trading related functions of the Program Management Office

Program Management

- A U.S. Industrial Joint Venture Program Management Office (PMO) would be established
  - Would oversee the establishment of the various joint venture teams for Russian transportation projects
  - Assist in negotiation of teaming agreements
  - Audit execution of the projects to verify work performed
  - Act as payment agent to the teams in conjunction with the U.S. and Russian Resource Banks
  - Assist in the formation of long-term spin-off companies from the joint ventures
- The firm(s) chosen for the PMO will have demonstrated experience to oversee large programs and have the sense of urgency that is needed for huge projects of the magnitude envisioned here

Summary

- A focused approach is needed to help stablize Russia and improve their economy
- Russia needs major improvements in its transportation system if it is to achieve economic growth
  - Transportation can be a test case for other programs
- By taking a leadership role, the U.S. Government will:
  - Increase U.S. industry exports
  - Create U.S. and Russian job
  - Showcase our democratic principles
  - Demonstrate a free enterprise system
- This approach is based on goods and services paid for by grants and natural resources monies escrowed through resource banks
- Foreign aid will be used as the catalyst
  - Not a cash give-away
  - Can be repaid
- Major U.S. companies will play key roles in program management and joint ventures
- The President could invite other G-7 members to join this initiative
- This approach is preferrable to providing cash aid directly with little chance of payback or creation of long-term relationships with U.S. industry



Russian Transportation Development Program
United States Government
Executive Agreement
Russian Government
• Repay
• Near term
U.S. Bank
Russian Resources Bank
• Escrow for resource funds & titles between parties
• Can act as trading company
Russian Resources
• Natural
• Mineral
• Long term
• Near term
• Payment for:
-- Equipment
-- Services
World Markets
• Potential Infrastructure Programs
Transportation
Environmental
Communication
Power
Housing
Food
Russian Transportation Infrastructure
• Road, rail, air & water
• Pipelines
• Harbors
• Airports, buildings
• Highways
• Equipment
U.S. Industrial Joint Venture (Program Management Office)
• Leading U.S. equipment manufacturers
• U.S. Contractors experienced in mega-projects
• Suppliers & vendors
• Startup program
• Market Dev.
• Jobs
• Equip. sales
• J.V. projects
9/30/93
11

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

Biography

January 1993

FROM: Corporate Public Relations
(206) 655-6123

BOEING

FRANK SHRONTZ
Chairman and Chief Executive Officer
The Boeing Company

Frank Shrontz was elected chief executive officer of The Boeing Company in April 1986 and became chairman of the board in January 1988. He had been elected president and a member of the board of directors in February 1985.

Shrontz joined Boeing in 1958. In October 1973 he was appointed assistant secretary of the Air Force for installations & logistics and in February 1976 became assistant secretary of defense. He rejoined Boeing in January 1977 as corporate vice president in charge of contract administration and planning.

From September 1978 until May 1982 Shrontz was vice president - general manager of the 707/727/737 Division of the Boeing Commercial Airplane Company. From May 1982 until April 1984 he was vice president - sales for the Commercial Airplane Company. He served as president of the Commercial Airplane Company from April 1984 until he became president of The Boeing Company in 1985.

Shrontz was born December 14, 1931, and was raised in Boise, Idaho. He earned a bachelor of laws degree at the University of Idaho in 1954 and a master's degree in business administration from the Harvard Graduate School of Business Administration in 1958. He also was a Sloan Fellow at the Stanford Graduate School of Business Administration.

Shrontz is a member of The Business Council and serves on the board of directors of Citicorp, Boise Cascade Corporation and Minnesota Mining and Manufacturing (3M) Company. He serves as a member of the policy committee of the Business Roundtable and the board of trustees of the Center for Strategic and International Studies. Shrontz is active in a number of civic and charitable organizations.

He and his wife Harriet have three sons.

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THE PRESIDENT HAS SEEN 1/19

Mark

September 18, 1994

Memorandum

To: The President

From: Kelly Crawford

Steve Honigman called this afternoon to recommend John Dalton as the Secretary of Defense. If you would like, he wants to discuss it with you.

Contact #: (703) 614-1994